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Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean

Report by the Director-General

Summary

Reports on the implementation of actions called for by the Board in decision IDB.11/Dec.11 and the General Conference in resolution GC.5/Res.15 in relation to the Regional Cooperation Programme.

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Introduction

1. Implementation of the UNIDO programme in Latin America and the Caribbean continued along well-established lines, such as small and medium enterprises, training, investment promotion and technical cooperation at the subsectoral level. However, in line with new demands stemming from current policy challenges faced by the countries of the region, the programme is also experiencing important new departures such as in the environment (Montreal Protocol, cleaner production centres) and regional integration fields. Closer cooperation with such regional organizations as the Inter-American Development Bank, the Economic Commission for Latin America and the Caribbean (ECLAC) and the Latin American Economic System (SELA) represented an important feature of both the Regional Cooperation Programme and the overall UNIDO programme in the region.

2. General Conference resolution GC.5/Res.15 highlighted a number of aspects related to the implementation of the Regional Cooperation Programme. The present document is submitted in compliance with paragraph 2 of that resolution and should be read in conjunction with the review of recent development trends in the Latin America and Caribbean region contained in the *Annual Report of UNIDO 1994* (IDB.14/10, chap. III.F). The following chapters are organized in accordance with the specific paragraphs of General Conference resolution GC.5/Res.15, or Industrial Development Board decision IDB.11/Dec.11, to which they refer.

I. IMPLEMENTATION OF APPROVED PROJECTS

(IDB.11/Dec.11 and GC.5/Res.15, para. 1 (a))

3. Under the regional programme for modernization of the capital goods industry, all the software developed within the project was successfully tested in over 100 pilot enterprises. The broad acceptance of that software has led UNIDO to initiate translation into other official languages for use in technical cooperation programmes. A network has been started linking established national centres of excellence. Further activities and actions will be discussed at a meeting with national counterparts in July 1995.

4. Costa Rica recently became the fourteenth member of the UNIDO industrial subcontracting programme regional network, with El Salvador, Honduras and Nicaragua expected to join in the near future. The sixth coordination seminar held in Guatemala in March 1995 provided a framework for discussions for further improvement of the programme. Two sub-contracting exhibitions are planned for the second half of 1995 in Bolivia and Paraguay.

5. In the biotechnology programme, three training workshops were organized in the first half of 1995, with two more foreseen in the second half. In a January 1995 meeting, the Board of Directors of the programme officially requested United Nations Development Programme (UNDP) support for a third phase. In order to enhance the multiplier effect of the programme, closer cooperation modalities with other UNIDO programmes, such as the International Centre for Genetic Engineering and Biotechnology, and other international institutions are being studied.

6. Since it started in 1987 with the financial support of UNDP, the regional programme for biotechnology has managed to establish a network with the participation of 13 Latin American countries. Its first phase (1987-1993) funded research projects in industrial biotechnology, agrobiotechnology and health biotechnology, several of which reached pilot plant scale, and a number of workshops/seminars/fellowships. The second phase, which started in 1993 and will finish in 1996, has concentrated mostly on training courses or workshops, such as the industrial utilization of medicinal plants and the application of biotechnology to the treatment of industrial residues.

7. In response to mandates from Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) emanating from the last two meetings of Presidents of those countries, UNIDO has initiated preparatory activities to support the private and the public sectors. The aim is to elaborate and formulate common subregional strategies and policies for improved competitiveness and performance of selected industrial subsectors and to develop a more proactive role for the private sector. Following this preparatory phase, the framework is planned for a larger programme for which funds would have to be mobilized.

II. ENHANCEMENT OF QUALITY AND INTERACTION WITH ACTORS IN THE REGION

(GC.5/Res.15, para. 1 (b) and 1 (c))

8. With the participation of government officials and industrialists from selected countries of the region, initiatives have been undertaken for enhancing synergy with regional organizations and for strengthening the dialogue with Member States on the development of the Regional Cooperation Programme.

9. The first meeting of the Regional Forum on Industrial Policies in Latin America and the Caribbean

was organized jointly with SELA at San José, Costa Rica, in October 1994, with the participation of the Inter-American Development Bank, ECLAC, Caribbean Community (CARICOM), Cartagena Agreement (JUNAC) and Programa Bolívar. The meeting was instrumental in providing a substantive framework for the exchange of expertise among the actors involved in industrial development, such as government officials, industry and labour organizations, entrepreneurs, R and D institutions and international organizations. The meeting highlighted the formulation and implementation of sectoral policies and strategies for enhancing the sustainability of the Latin American industrial sector *vis-à-vis* necessary competition and national and international markets. UNIDO activities in the region were presented. The results of the meeting were discussed with representatives of the Group of Latin American Countries in Vienna in December 1994.

10. In pursuit of further improvements in the quality of its programmes in the region and of optimization of available resources, UNIDO participated in the first meeting of the Latin American Inter-Agency Co-ordination Committee of the Regional Forum on Industrial Policies (May 1995). Concrete synergies among ongoing and planned programmes were discussed and analysed, and an initial common programme framework for the region was developed for the biennium 1995-1996.

11. An expert group meeting on regional strategies in the context of emerging environmental standards and the promotion of quality improvement in the SME sector will be organized for the fourth quarter of 1995. The meeting will be organized in cooperation with ALADI and COPANT with the following main objectives: (a) the creation of a Latin American network of quality accreditation institutions, and (b) the development of training programmes needed to implement and promote quality and environmental standards. Such programmes could include environmental and quality auditing, metrology and quality and environment management.

12. Closer cooperation with the different sub-regional groupings has been sought, particularly in Central America, the Caribbean and the Southern Cone. The UNIDO MERCOSUR programme has produced seven documents, including two subsectoral diagnoses of competitiveness. These reports have been very well received by the counterparts, particularly as inputs for the work of the subgroup on industrial and technological policy. This line of work has led to further cooperation. The subsectoral reports of both UNIDO and the Inter-American Development Bank were presented and discussed with private sector representatives and senior government officials at a seminar on competitiveness in Sao Paulo, Brazil, in September 1994. The MERCOSUR Committee for Technical Cooperation has issued an official request for UNIDO to undertake a project on technical and economic indicators of subsectoral competitiveness. In addition, a cooperation agreement is in progress with the MERCOSUR Industrial Council, which represents the private sector of the four member countries.

III. IDENTIFICATION OF NEW PROGRAMMES AND PROJECTS

(IDB.11/Dec.11 and GC.5/Res.15, paras. 1 (a) and 1 (d))

13. A regional meeting with Ministers of Industry being organized for the fourth quarter of 1995 will highlight issues of concern for the Governments of the region, *inter alia*:

(a) New industrial strategies and policies to face globalization and regional development integration;

(b) Quality and competitiveness: upgrading national capacities and continuous improvement programmes;

(c) Private sector development, with particular emphasis on small and medium enterprises;

(d) Upgrading national capacities at the institutional level for cooperation in and development of technology and environmental protection;

(e) Investment promotion and strategic alliances.

14. Progress as well as the future orientation of the Regional Cooperation Programme will be reviewed in depth jointly with the respective national counterparts in a preliminary session to the meeting of Ministers of Industry. Selected current proposals are described in the following paragraphs.

15. The review of the achievements attained under the regional programme for modernization of the capital goods industry will be complemented with the results of surveys on the status of the implementation of quality and environmental management programmes in the region. This exercise will become the core input for the formulation of a regional programme for improving international competitiveness of the Latin American productive sector by enhancing its quality and environment performance.

16. The next phase of the biotechnology programme will focus mainly on project management, the commercialization of biotechnological products, legal aspects, application of biotechnology for the solution of

environmental problems and bioinformatics. Since the substantive financial support from UNDP in the first two phases will be reduced in the next, new financial alternatives are being investigated.

17. An assessment of the potentials for development of SME clusters in specific industrial sectors in the countries of Central America will be initiated within the near future. Upon completion of the study a strategy for development of the SME sector in the subregion will be developed.

18. The subcontracting programme will continue its efforts to enlarge the network, but complementary actions will be also undertaken to enhance cooperation between suppliers and users. A programme of assistance will be formulated for establishing increased assistance to the subcontractors in matters such as product design, engineering, input acquisition and marketing.

19. Preliminary activities have been initiated for developing of cooperation mechanisms in improving the technological innovation capacity of the countries of the region. A regional programme for enhancing and promoting the establishment of business and technology incubators is under development and the establishment of a network of incubators is being promoted.

20. Work is under way to identify technical measures that need to be implemented by the Governments of the region within the framework of increasing dissemination of quality standards (ISO 9000) and emerging environmental standards (ISO 14000). To that end, surveys have been concluded aimed at assessing the potential impact of those standards on the international trade of selected countries of the region. Cooperation has been established in this area with such regional organizations as the Latin American Association for Integration (ALADI) and the Pan-American Commission of Technical Norms (COPANT).

21. During a mission of the Director-General to Havana in May 1995, a series of meetings took place with high-level officials to further develop UNIDO cooperation with Cuba. During the course of discussions, the Director-General provided information about UNIDO's reform efforts and the Cuban authorities highlighted their strategies for Cuban reform and opening of the economy.

22. An investment promotion project is one of 11 technical cooperation projects under implementation by UNIDO in Cuba. During his mission the Director-General participated in the opening of an office in the National Investment Promotion Centre in Havana, which will benefit from linkage to the UNIDO World Investment Network Service (WINS).

23. A review was made of UNIDO assistance to Cuba in the areas of industrial restructuring, investment promotion, small- and medium-scale industry and management training. In particular, emphasis will be attached to the restructuring of the light industry sector as a means to promote the development of local suppliers in the food sector, furniture, textiles, etc., especially for the tourism-related industry. In this context, the need to increase the national capacity to satisfy internal demand and to promote exports to other countries of the region was pointed out. At the regional level the possibility of conceiving a cooperation programme in the context of the Caribbean countries is being examined. Such a regional programme would lead to more effective coverage of UNIDO's assisting capabilities to the industrial sector to which all Caribbean countries attach a high priority.

24. Discussions in May 1995 with the Government and the private sector of Mexico have led to the identification of priority actions that should be undertaken in the fields of small- and medium-scale industry development, industrial competitiveness, investment promotion and environmental protection. UNIDO cooperation with Mexican industrialists was discussed with the President of the National Federation of Chambers of Industry, who expressed his interest in opening an Investment Promotion Service office to be financed by the Federation.

IV. ACTION REQUIRED OF THE BOARD

25. The Board may wish to take note of the information provided in the present document.